

AFFORDABLE HOME DEVELOPMENT PROGRAM

Request for Proposals

General Information

Background:

The State of Louisiana Division of Administration Office of Community Development has awarded a \$52,275,000 CDBG Disaster Recovery Program grant to the City of New Orleans to administer a Soft Second Mortgage Homebuyer Assistance Program.

Soft Second Mortgage Program Objectives:

The City is providing financial assistance in the form of a Soft-Second Mortgage for two initiatives: the *Direct Homebuyer Assistance Program* and the *Affordable Home Development Program*. These programs are designed to:

- strategically promote homeownership opportunities for low and moderate income individuals and families who are buying their first homes;
- reduce blight, promote the development, stabilization and preservation of neighborhoods throughout New Orleans; and
- spur residential development across the City by assisting families with incomes up to 120% of the Area Median Income (AMI) to purchase single-family homes in New Orleans.

Both programs will be implemented in a manner that is consistent with the City's Place-based Development Strategy which encourages the coupling of neighborhood resources i.e. parks, schools, transportation, etc. with activities that promote housing development and neighborhood stabilization to leverage the City's current investments in infrastructure.

At least 50 percent of the program funds will be targeted to homebuyers at or below 80% AMI. Homebuyers with incomes at or below 80% of AMI will also be eligible for up to \$10,000 down payment and closing cost assistance in both programs. Homebuyers with incomes between 81% and 90% of AMI will be eligible for up to \$5,000 in down payment and closing cost assistance.

Request for Proposals: Affordable Home Development Program

The City of New Orleans Office of Community Development, through its *Affordable Home Development Program*, is requesting proposals from affordable housing development teams with demonstrated capacity in developing and marketing low and moderate income, single-family and two-family homes within the City of New Orleans for sale to first-time homebuyers earning up to 120% of the Area Median Income (AMI).

The purpose of the Affordable Home Development Program is to reduce blight and spur the redevelopment and sale of vacant properties, particularly, but not exclusively, those located within the Place-Based Strategy Areas. The program is also meant to provide a steady inventory of for-sale housing that is affordable to persons of low and moderate income. The redevelopment of historic blighted residential structures is a priority of this program.

Through this open and competitive Request for Proposals process, the City will award developers a set-aside of Soft-Second Mortgage subsidies for the purchasers of their completed homes, subject to the per unit subsidy limits set forth below.

The subsidies below are **homebuyer** subsidies:

Per unit subsidy limits for sites outside of Placed-Based Strategy Areas:

Up to 80% AMI	up to \$65,000 per unit*
81%-90% AMI	up to \$45,000 per unit*
91%- 110% AMI	up to \$25,000 per unit
111%- 120% AMI	up to \$15,000 per unit

Per unit subsidy limits for sites within Placed-Based Strategy Areas:

Up to 80% AMI	up to \$65,000 per unit *
81%-90% AMI	up to \$55,000 per unit*
91%- 110% AMI	up to \$35,000 per unit
111%- 120% AMI	up to \$25,000 per unit

* Families at 90% or less of AMI are eligible for closing cost assistance.

Scoring Criteria

Applications will be reviewed and evaluated using the following criteria:

Fundamentals (Feasibility):

- Development team experience
- Readiness to proceed
- Cost reasonableness
- Accurate market analysis
- Quality of design and compatibility with neighboring homes

Leveraging:

- Secured funds from other sources
- Less than the maximum per unit subsidy requested

- Utilization of Vacant and/or blighted properties held by City of New Orleans, the Louisiana Land Trust (LLT), Housing Authority of New Orleans or NORA
- Inclusion of energy-efficient enhancements

Outcomes:

- Rehabilitated blighted, historic properties
- Properties within the Place-Based Development Areas
- Units that are affordable to families earning less than 80% AMI
- Two-family units
- Nonsubsidized market rate units
- Units for elderly persons and persons with special needs

Process:

The Soft Second Mortgage Program Affordable Housing Development Program is intended to spur the development and sale of renovated and/or new-constructed one and two-family units that would be difficult or impossible for low and moderate income buyers to afford without a homebuyer subsidy. The subsidy is intended to stimulate the redevelopment of vacant and blighted properties and to increase lender willingness to provide construction financing and mortgage loans.

Prior to submitting a proposal, the development team should identify/secure a site(s), analyze the housing market in the target neighborhood, devise a marketing plan, and solicit interest from lenders. Louisiana Land Trust properties will be made available to interested developers through the New Orleans Redevelopment Authority.

Once these elements are in place, the developer should:

- Submit a proposal to the City's Office of Community Development for a minimum of 5 and a maximum of 20 units. The proposal must include but will not be limited to:
 1. Proof of site control of the properties to be developed
 2. Project budget – (see sample attached)
 3. Development timeline
 4. Statement of Builder's experience
 5. Evidence of financing commitment(s)
 6. Marketing plan to sell the properties
 7. Homeowner Counseling Strategy
- The proposal will be evaluated and ranked based upon the above, a review of the preceding submissions, and other relevant criteria including cost and geographic distribution.
- If the proposal is acceptable, the City will issue a **time-limited** commitment letter to the developer for a set-aside of homebuyer assistance.
- The developer may bring the commitment letter to a local lender when requesting a construction loan.
- The construction lender will monitor the construction of the home(s) during the construction period.
- After the construction work is completed and a Certificate of Occupancy is issued, the construction lender will certify that the home was built in accordance with the approved plans.

While the homes are being built, the development team should be marketing the program to homebuyers with incomes under 120% of AMI. Homebuyer assistance will be made available to homebuyers in the same manner as the City's Direct Homebuyer Assistance Program.

- The homebuyer must complete a 12-hour homebuyer training course.
- The homebuyer applies to a lender who is participating in this program.
- The lender underwrites and qualifies the home and the homebuyer for a first mortgage. The lender identifies the gap between the amount the homebuyer can borrow and the cost of the house.
- Upon completion of the first mortgage underwriting by the lender, a loan package is forwarded to the City.
- The City will:
 1. Perform a review of the file to verify the client's eligibility.
 2. Conduct a Housing Quality Standards (HQS) inspection of the house.
 3. Conduct the NEPA site specific Environmental Review.
 4. Make a final determination on the amount of the soft-second mortgage.
- Upon completion of the review, the City will notify the State that the request has met all requirements and request a drawdown of funds.
- The State will wire transfer the funds to the closing.
- Full repayment of the soft-second mortgage will be required if the loan goes into default or if the homebuyer sells the house within the first five years of purchasing the home. 25% percent of the loan amount will be forgiven after 5 years and 15% will be forgiven each subsequent year until the loan is fully forgiven.

Performance Based Contracts:

Development teams that are selected for an award, complete the development and sale of houses and meet all award conditions will be considered for additional funding to continue developing affordable homes under the same terms and conditions.

For more information on the Soft Second Mortgage Program Direct Homebuyer

Assistance visit: www.nola.gov/softseconds

Soft Second Mortgage Program
Affordable Home Development RFP
Application

Instructions

Interested parties should attend a bidders' conference on May 16th at a time and place to be determined. Please check: www.nola.gov/softseconds two weeks prior to the conference for details.

All proposals must be received by 4 pm on July 27, 2012 at:

The Soft Second Mortgage Program
Office of Community Development
City of New Orleans
1340 Poydras Street, 10th floor
New Orleans, LA 70122

Proposals must be typed in 12 point font and contain all required information.
Incomplete applications will be rejected.

Proposals

Proposals must contain the following in the order listed below:

1. Contact information – (1 page)

- Organization or Company Name
- Contact person – name and title
- Business mailing address
- Phone – office and cell phone of contact
- Contact person's email address
- Website (if applicable)
- Employer ID number

2. Project Description

- Project Description (one – two pages) – describe the type of units to be built or rehabbed i.e. new construction, two-family, historic rehab, etc. Describe special features i.e. handicapped accessibility, energy-efficiency, preservation of historic materials, storm resiliency, anticipated HERS scores, etc. Specify number of bedrooms and bathrooms and total square footage of each unit.
- Income categories to be served
- Timeline - Proposed start date, construction period, proposed completion date, anticipated sales period

3. Site Description

- Neighborhood description (half-page)
- Project location – list each address
- Property description (half-page)
- Evidence of site control – describe status of site control for each property listed above and indicate if the property is/was owned by the LLT, City of New Orleans, NORA or HANO

4. Financing

- Total project cost
- Source and amount of construction financing (provide proof of financing)
- Source(s) and amount of developer subsidies (if applicable)
- Source and amount of bridge financing (if applicable)
- Indicate which (if any) Place-Based Strategy Area the project is within (see www.nola.gov/softseconds for Place-Based Strategy Area maps.)
- Amount of set-aside requested from the Soft-Second Mortgage Program
- Purchase price for completed houses

5. Developer Qualifications

- Names and titles of all corporate officers
- Date incorporated
- Indicate whether the applicant is a sole proprietor, partnership, for-profit corporation or nonprofit corporation
- Description of business/organization (one-page)
- 3 references from comparable projects successfully completed within the past 2 years
- Past projects – describe all residential projects completed within the last 3 years. Include location, size, number of units, total development cost, and special features.

Attachments to be Submitted with Proposal

- Photograph of each site
- Proof of construction financing
- Grant documentation (if applicable)
- Proof of site control
- Architectural plans – floor plans and elevations only
- Promotional literature
- Pre-construction appraisal (if available)